VZCZCXRO2390
RR RUEHBZ RUEHDU RUEHJO RUEHMR RUEHRN
DE RUEHSB #0120/01 0431203
ZNR UUUUU ZZH
R 121202Z FEB 10
FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 0053
INFO SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE

UNCLAS SECTION 01 OF 02 HARARE 000120

SIPDIS

E.O. 12958: N/A
TAGS: ECON EAGR ZI
SUBJECT: Zimbabwe Expects Another Poor Harvest

¶1. SUMMARY: Zimbabwe probably will not see an increase in maize production this year, mainly due to poor weather and small-scale farmers' lack of financing for seed and fertilizer. There was reportedly a sufficient amount of seed in the country, but the sole fertilizer producer could not keep pace with demand. Many farmers register frustration with the Government of Zimbabwe's (GOZ's) failure to follow through on promises to subsidize inputs and make credit accessible. Amid the disappointing outlook for this year, only tobacco farmers have reason to be optimistic. Outgrower schemes promise to put more cash in their pockets. END SUMMARY.

Planting Less, Planting Late

¶2. Zimbabwe faces another disappointing harvest this year. Production of maize, Zimbabwe's main food crop, is unlikely to exceed 500,000 metric tons. This is the consensus view of farm organizations and independent experts. At the low-end, the Commercial Farmers' Union (CFU), which represents the few remaining white commercial farmers, projects maize output of around 400,000 metric tons. The head of the Zimbabwe Commercial Farmers' Union (ZCFU), which represents about 15,000 small-scale farmers (many of them on land seized from CFU members), expects a harvest of about 500,000 metric tons. In 2009 Zimbabwe produced 534,250 tons of maize, less than a third of the estimated national requirement. In 2000, the last harvest before the GOZ began seizing commercial farms in its "fast-track land reform," Zimbabwe produced over two million metric tons of maize.

¶3. Many of Zimbabwe's farmers delayed their planting for the current cropping season, and some reduced the area planted. In addition to a lack of rain in some areas, a commonly cited reason is lack of financing. This problem is most pronounced for small-scale farmers, who in recent years have received seed and fertilizer on credit from the GOZ's Grain Marketing Board (GMB). But dollarization of the economy in 2009 put an end to the GMB's buy-high-sell-low business model, and private suppliers have been slow to fill the gap in remote rural areas. A survey of some rural districts in Masvingo, Matabeleland South, and Midlands Provinces in December showed little preparation had been done prior to the onset of the rainy season at year's end.

¶4. According to the Zimbabwe Farmers' Union (ZFU), which looks after the interests of small-scale farmers on communal lands, the amount of land put under maize in 2009 (1.2 million hectares) was just over half the area of the previous year (2.1 million hectares). Small-scale farmers on communal lands normally supply most of Zimbabwe's maize harvest. The ZFU says small-scale tobacco cultivation will hold steady at 40,000 hectares. ZFU projects planting of cotton and soybeans to be unchanged at 200,000 hectares and 50,000 hectares, respectively. According to most small-scale farmers econ specialist interviewed in December, the severe cutback in GOZ-subsidized supplies of seeds, fertilizer, and fuel was the main reason for reduced planting of maize.

Expensive Seed, Too Little Fertilizer

¶5. In its January brief on food security, the Ministry of Agriculture reported that by the first week of January, between 50 and 75 percent of the normal amount of planting had been done. Conventional farming wisdom in Zimbabwe holds that seeds should be in the ground before the rains commence, which happens by late December in nearly all parts of the country. The Ministry's report also indicates that availability of seed improved in 2009: of 158 sites the Ministry surveyed in January, 66 had maize seed, more than five times as many as a year earlier. This report is consistent with a 2009 USAID-funded study that showed seed was widely available, if not necessarily affordable.

¶6. While availability of seed has improved, many farmers say they cannot afford to buy as much as they used to. Seed companies told econ specialist that supplies were sufficient this year. But small-scale farmers in Masvingo and Midlands Provinces reported that high prices kept them from buying enough seed. Some farmers reported that a 10-kilogram bag of maize seed sold for US$28 while the GMB advertised a subsidized price of US$9. But the GMB could

not muster financing to provide large amounts of seed at that price.

¶7. Both the CFU and ZFU report that there is a shortage of ammonium nitrate fertilizer due to problems bedeviling Sable Chemicals, the only domestic producer. According to the company's management, Sable cannot afford to pay for the electricity it needs to sustain production of ammonia through electrolysis. Sable is Zimbabwe's single largest consumer of electricity. The company recently negotiated reduced rates with the state-owned power monopoly. Sable planned to supplement its output with imported finished products. The firm requires financing for re-capitalization, but this is unlikely to materialize in the foreseeable future.

¶8. The farmers' unions also report that fertilizer prices have fallen by 50 percent from last year's levels, in line with the regional trend. Despite this, small-scale farmers in Masvingo and Midlands Provinces told econ specialist that they could not afford to buy fertilizer at the prevailing price of US$33 per 50-kilogram bag. Small-scale farmers generally were unable to find fertilizer at the GMB's subsidized price of US$6 per bag. Their frustration was magnified by GOZ officials who claimed that banks would extend credit against collateral in the form of livestock or the so-called "offer letters" that re-allocate land seized from commercial farmers. But no banks would in fact do so.

Comment

¶9. Zimbabwe's maize harvest should be about the same as last year, but conditions are different. The weather has been less favorable, and the GOZ has not been able to provide the customary subsidies. And so far, the private sector has been slow to pick up the slack where GOZ-financed services have ceased. The exception is tobacco. With most of the large-scale producers having been put out of business by farm invasions, the tobacco buyers are increasingly looking to small-scale producers, whom they support by advancing seed and fertilizer and providing extension services.

Such outgrower schemes have already transformed Zimbabwe's tobacco economy, and they may be the future for other crops as well. Productivity is markedly lower than it was for the commercial farmers, but outgrower schemes arguably distribute cash incomes to a much wider range of rural households. Whatever the future of agriculture in Zimbabwe, it will be different from the past.
RAY